

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (1/31):**

BUTTER: Grade AA closed at \$1.0550. The weekly average for Grade AA is \$1.0625 (-.0075).

CHEESE: Barrels closed at \$1.0500 and blocks at \$1.1700. The weekly average for barrels is \$1.0640 (-.0160) and blocks, \$1.1680 (-.0033).

NONFAT DRY MILK: Extra Grade closed at \$0.8900 and Grade A at \$0.8900. The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A, \$0.8900 (N.C.).

BUTTER: Butter markets remain weak. Churning schedules are reported to be heavy from coast to coast. Cream volumes are readily available. In most regions, butter sales are slow and unaggressive, thus churning activity is surpassing demand. Surplus butter is being inventoried and some Western produced bulk butter continues clear to CCC. This week, 1,987,963 pounds of butter was offered under the dairy support program. The 2002 calendar year butter quota year ended as of December 31. Basically, butter imports were in line with the 15.4 million pound annual quota, but high tier or above quota imports were sharply lower than in 2001. Under quota, 15.1 million pounds of butter was imported during 2002 versus 15.3 million pounds the previous year. High tier imports totaled 921,000 pounds versus 26.1 million for 2001.

CHEESE: The cheese market is weak on barrels, and about steady, though with a weak undertone, on blocks. Current interest remains mostly fair at best. Natural sales are generally better than process. Current offerings are at least adequate for the demand. Cheddar produced during the yearend holidays has been reaching the 30 day age mark and becoming too old for eligibility as sale as current cheese at the Chicago Mercantile Exchange. CCC continues to make cheese purchases. Additional volumes are being packaged for CCC sale if needs arises. Current cheese production is generally above year ago levels due to higher milk receipts.

FLUID MILK: Milk production trends across the country are being impacted by varying degrees of positive and negative weather conditions. In the Eastern part of the U.S., adverse weather patterns were reported during the past week. In the Middle Atlantic area, the milk flow is mostly steady and temperatures remain cold. In New York, almost daily lake effect snows are adding to an already deep base in Western and Central parts of the state. In New England, very cold temperatures and snow were common over the weekend and milk output is about steady. These weather conditions did disrupt milk pickups in some areas, but no significant losses were reported. Parts of the Carolina's saw heavy snowfall late last week and some panic buying was evident for bottled milk. In Florida and other Gulf Coastal states, milk production is showing signs of rebounding following the cold weather conditions earlier in the month which retarded gains. In the Central part of the country, temperatures were very cold late last week, but now have moderated. Milk production patterns are basically holding steady at seasonally low level. In New Mexico, milk output is higher as conditions remain generally favorable for the milking herds. In California, reports indicate that milk production is very strong. Decent weather conditions, additional cows, and adequate feed availability, are factors in the surge of milk. In the Pacific Northwest, normal seasonal wet conditions prevailed, but these conditions are not negatively impacting milk production. Cream markets across the country are weak and cream supplies are readily available for most all classes. Class II product production has slowed now that the holidays and Super Bowl are over. Ice cream production is spotty with some producers taking advantage of the available cream and enhancing inventories

for later use, while other are not that interested. For the most part, cream is entering the churn with butter inventories building from coast to coast.

OCEANIA/WESTERN EUROPE MILK SITUATION: On an international basis, milk production in the Oceania region continues to follow trends of much of the season. In New Zealand, milk output is slightly more than 1% heavier than last year at this time, while in Australia, milk volumes are trailing last season by 10%. Lack of moisture and drought conditions in Australia are the major factors in the down turn in milk output during the current season. Although milk production in Australia is lower than last year, milk handlers do recognize that last season was a strong production year, thus current output is more comparable to the 1999 - 2000 year. In Europe milk output is seasonally low, although reports are indicating that production is starting to increase in some regions. Current production estimates indicate that output in Germany is slightly ahead of last season, slightly lower in the U.K., while steady in France. Handlers feel that these three countries are major producers and thus indicate that overall milk production is closely balanced as the March 31 milk quota yearend nears.

DRY PRODUCTS: Skim milk powder markets are weak with prices unchanged to lower. Production is generally heavy and often, slow commercial sales are not clearing stocks and producers are looking to the CCC for disposition. Skim milk powder continues to clear to CCC from all regions of the country. Producers feel that offerings will continue and will probably increase as more producer stocks become heavier than desired. Buttermilk powder markets are weak with prices generally unchanged. Heavy churning activity across the country continues, which is keeping buttermilk supplies heavier than desired. Some producers are lowering prices to keep stocks moving. Whey powder markets are steady to weak with prices generally unchanged to slightly lower. Many producers and handlers feel that the market has bottomed and indicate that they feel buyers are closely monitoring the market and waiting for conditions to become favorable for a return to the market.

CCC: For the week of January 27 - 31, CCC purchased 1,987,963 pounds of Western butter. CCC also purchased 396,000 pounds of Central process cheese, and 13,750,918 net pounds of NDM. Of the NDM, 1,031,555 pounds was from the East, 795,812 pounds of Central, and 11,923,551 pounds from the West.

COMMERCIAL DISAPPEARANCE (ERS, AMS): Commercial disappearance of dairy products during the first eleven months of 2002 totals 156.6 billion pounds, 0.7% higher than the same period in 2001. Comparing disappearance levels with year earlier levels: butter is +2.5%; American cheese, +1.4%; Other cheese, +3.3%; NDM, -22.0%; and fluid milk products, +0.3%

CONSUMER PRICE INDEX (BLS): The December CPI for all food is 177.3, 1.5% higher than December 2001. The dairy products index at 167.3, is 2.0% less than a year ago. The following are the December to December changes for selected products: fresh whole milk -4.2%, cheese -2.5%, and butter -19.4%.

CLASS AND COMPONENT PRICES (DAIRY PROGRAMS): The following are the January 2003 prices under the Federal Milk Order pricing system: Class II \$11.29 (-\$0.33), Class III \$9.78 (+\$0.04); and Class IV \$10.07 (-\$0.42). Product price averages used in computing Class prices are: butter \$1.0872, NDM \$0.8207, cheese \$1.1370, and dry whey \$0.1728. The Class II butterfat price is \$1.1926 and the Class III/IV butterfat price is \$1.1856. Further information may be found at: <http://www.ams.usda.gov/dyfmoms/mib/classprcncnmt.pdf>

******SPECIAL THIS ISSUE******

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY JANUARY 27	TUESDAY JANUARY 28	WEDNESDAY JANUARY 29	THURSDAY JANUARY 30	FRIDAY JANUARY 31	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.0900 (+.0300)	\$1.0700 (-.0200)	\$1.0500 (-.0200)	\$1.0600 (+.0100)	\$1.0500 (-.0100)	-.0100	\$1.0640 (-.0160)
40# BLOCKS	\$1.1600 (-.0100)	\$1.1700 (+.0100)	\$1.1700 (N.C.)	\$1.1700 (N.C.)	\$1.1700 (N.C.)	N.C.	\$1.1680 (-.0033)
BUTTER							
GRADE AA	\$1.0675 (N.C.)	-----	\$1.0650 (-.0025)	-----	\$1.0550 (-.0100)	-.0125	\$1.0625 (-.0075)

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8900 and Grade A price is \$.8900. NDM information remains available at the above internet address.)

CHICAGO MERCANTILE EXCHANGE

MONDAY, JANUARY 27, 2003

CHEESE — SALES: 15 CARS 40# BLOCKS: 1 @ \$1.1625, 1 @ \$1.1650, 1 @ \$1.1675, 1 @ \$1.1700, 1 @ \$1.1650, 1 @ \$1.1675, 1 @ \$1.1700, 6 @ \$1.1675, 2 @ \$1.1575; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.0900, 2 @ \$1.0600; 1 CAR 40# BLOCKS @ \$1.1600; OFFERS UNCOVERED: 3 CARS 40# BLOCKS: 2 @ \$1.1700, 1 @ \$1.1750

BUTTER — SALES: 10 CARS GRADE AA: 3 @ \$1.0675, 1 @ \$1.0650, 1 @ \$1.0675, 2 @ \$1.0650, 1 @ \$1.0675, 1 @ \$1.0650, 1 @ \$1.0675; BIDS UNFILLED: 7 CARS GRADE AA: 3 @ \$1.0650, 1 @ \$1.0625, 2 @ \$1.0600, 1 @ \$1.0500; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0775

TUESDAY, JANUARY 28, 2003

CHEESE — SALES: 12 CARS BARRELS: 1 @ \$1.0700, 1 @ \$1.0600, 10 @ \$1.0500; 16 CARS 40# BLOCKS: 1 @ \$1.1650, 1 @ \$1.1675, 1 @ \$1.1700, 1 @ \$1.1625, 1 @ \$1.1650, 1 @ \$1.1700, 3 @ \$1.1675, 1 @ \$1.1650, 2 @ \$1.1675, 2 @ \$1.1650, 1 @ \$1.1675, 1 @ \$1.1700; BIDS UNFILLED: 6 CARS BARRELS: 1 @ \$1.0700, 1 @ \$1.0500, 1 @ \$1.0475, 1 @ \$1.0400, 2 @ \$1.0300; 2 CARS 40# BLOCKS @ \$1.1650; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1750

WEDNESDAY, JANUARY 29, 2003

CHEESE — SALES: 6 CARS BARRELS: 1 @ \$1.0500, 1 @ \$1.0525, 4 @ \$1.0500; 2 CARS 40# BLOCKS: 1 @ \$1.1675, 1 @ \$1.1700; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.0475, 1 @ \$1.0400; 1 CAR 40# BLOCKS @ \$1.1675; OFFERS UNCOVERED: 4 CARS BARRELS: 1 @ \$1.0500, 2 @ \$1.0700, 1 @ \$1.0800; 3 CARS 40# BLOCKS: 1 @ \$1.1725, 1 @ \$1.1750, 1 @ \$1.1800

BUTTER — SALES: 9 CARS GRADE AA: 1 @ \$1.0650, 1 @ \$1.0675, 1 @ \$1.0650, 1 @ \$1.0675, 1 @ \$1.0650, 1 @ \$1.0625, 1 @ \$1.0675, 1 @ \$1.0650, 1 @ \$1.0675; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0650

THURSDAY, JANUARY 30, 2003

CHEESE — SALES: 3 CARS BARRELS: 1 @ \$1.0475, 1 @ \$1.0500, 1 @ \$1.0600; 9 CARS 40# BLOCKS: 6 @ \$1.1675, 1 @ \$1.1700, 1 @ \$1.1675, 1 @ \$1.1700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1700

FRIDAY, JANUARY 31, 2003

CHEESE — SALES: 4 CARS 40# BLOCKS: 3 @ \$1.1675, 1 @ \$1.1700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 3 CARS BARRELS: 1 @ \$1.0500, 2 @ \$1.0700; 2 CARS 40# BLOCKS @ \$1.1700

BUTTER — SALES: 1 CAR GRADE AA @ \$1.0550; BIDS UNFILLED: 3 CARS GRADE AA: 1 @ \$1.0525, 1 @ \$1.0500, 1 @ \$1.0400; OFFERS UNCOVERED: NONE

BUTTER MARKETS**NORTHEAST**

The market tone is unsettled. Despite the recent cold storage report stating that year-end butter stock are nearly three times greater than a year ago and the sales of Western butter to CCC, CME prices have held relatively steady. Some contacts wonder why trading at the CME seems to indicate that some traders are working to keep prices at current levels. These comments are sparked by the last two trading sessions (1/24 & 27) where twenty cars were sold and sixteen of them were based on bids. Also, there were quite a few bids unfilled at lower prices. Production levels are heavy and Eastern producers have more than ample butter on hand to meet the slow demand. Contacts report that there is no trouble locating bulk butter if it were needed. Retail demand and food service orders are slower. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

CENTRAL

The market tone is weak. Churning activity remains very strong as cream volumes are reported to be readily available from both local and out of area sources. Butter producers report that churning continues to surpass demand, thus heavy inventories are becoming heavier. The 2002 calendar year butter quota year ended as of December 31. Basically, quota volumes were in line with the 15.4 million pound annual quota, but high tier or above quota volumes were sharply lower than 2001. Under quota, 15.1 million pounds of butter was imported versus 15.3 million pounds the previous year. High tier imports totaled 921,000 pounds versus 26.1 million for 2001. As of mid week, no Midwestern bulk or print butter has been offered to CCC, but additional Western bulk was offered. Some Midwestern producers feel that it will not be too long before the cash price adjusts and butter begins to clear from other regions of the country. Current butter demand is seasonally fair at best.

Most orders continue to center around short term or immediate needs. Many buyers indicate that as long as prices remain in a range of current levels, they will be placing lighter orders more often versus carry the inventory. Bulk butter for spot sales is selling in a range of flat to 2 cents per pound over various pricing basis, but these sales are very limited.

WEST

Butter continues to trade in a very narrow range near the support price. Butter was again offered to the CCC price support program from the Western region. Some butter users are debating as to whether they should store some butter at this time of year for fall needs. They are looking at the idea as an insurance policy with little down side price risk. The cost would be the money tied up and the direct storage costs. Most are not sure what to do, but they don't think that butter stocks will tighten up any time soon. Quota butter imports are right on target around 15 million pounds for 2002. High tier (over quota) imports of butter and substitutes were at minimal levels in 2002 because domestic prices never got high enough to justify bringing in imported butter and paying the penalty. Churns continue to operate on extended schedules to handle available cream offerings. Butter plants don't see this changing much in the near term. CME weekly butter inventories jumped another 8.5 million pounds this past week to stand at 120.3 million pounds. Last year at this time, 40.3 million pounds were in storage. Stocks have increased by an average of 7.8 million pounds per week this year. Current prices for bulk butter range from 3 1/2 cents under to 2 cents under the market based on the CME with various time frames and averages. Trade contacts and news articles continue to discuss the possibility that there may be some DEIP butter sales in the near future.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

WEEK ENDING	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
JAN 25	1.1314	1.1140	0.8121	1.0576	0.1652
	7,002,610	12,301,641	29,624,191	7,200,975	13,153,132

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are mixed and the market tone is weak. Demand for cheese is slow to fair, generally slower. With the Super Bowl now part of history, snack food (cheese included) consumption slows. Demand in other areas of the wholesale market is also slow. With prices at the CME showing no clear direction, buyers are hesitant to purchase beyond immediate needs. Cheese output in the Northeast is still quite heavy as surplus milk volumes remain heavy. However, surplus milk volumes are easing in some regions. A few producers were experiencing mechanical problems last week and other producers are purposely limiting output. Cheese stocks are increasing. This is also the time of year when cheddar aging program are being restocked.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.2350-1.7300
Cheddar Single Daisies	:	1.1925-1.6575
Cheddar 40# Block	:	1.3100-1.5575
Process 5# Loaf	:	1.2900-1.4875
Process 5# Sliced	:	1.3100-1.5550
Muenster	:	1.3975-1.6025
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

MIDWEST

The cheese market is unsettled to weak. Fully adequate to ample cheese offerings continue to weigh down the market. The Super Bowl has come and gone and processors and packagers are looking for something to stimulate demand/sales. Overall interest is generally slow to fair. Supplies are heavier than desired for most producers. Some milk supplies have been shifted over from barrels due to the wide spread between the block and barrel prices. Commercial process interest is leaving plenty of "line time" available. Surplus cheese continues to be prepared for clearance to CCC. Mozzarella interest is fair to very occasionally good. Steady to slightly larger volumes of milk are keeping plants often fuller than desired, especially where inventories are accumulating.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.2600-1.4900
Brick And/Or Muenster 5#	:	1.5300-1.7325
Cheddar 40# Block	:	1.4500-2.1150
Monterey Jack 10#	:	1.7000-2.1150
Blue 5#	:	1.9250-2.2100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4775-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9500-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

	:	
01/27/03	68,389	: 139,618
01/01/03	52,308	: 136,430
CHANGE	16,081	: 3,188
% CHANGE	31	: 2

Note: The 2003 numbers are increased by the addition of 4 butter warehouses and 5 cheese warehouses to increase the sample. The January 1, 2003 number has also been adjusted. In 2002, these warehouses would have increased reported totals by 1 - 5 million pounds each, depending on week.

WEST

The market is having some trouble making up its mind which direction it wants to go with process cheese prices weaker and natural items firmer. Prices are not varying all that much from the support price level. Demand for cheese is lacking aggressiveness since end users don't see that cheese supplies will be short in the near term or that prices will increase all that much this late winter and into spring. Milk production remains firm in the West and cheese output is strong. U.S. high tier (above quota) imports of all types of cheese in 2002 totals 57.6 million pounds, up 40% from 2001. The vast majority of the imports fell into the American-type category. Quota imports for 2002 are a little below limits at about 276 million pounds. Some firms are adding to aging programs with the cheese prices at reasonable levels. Mozzarella sales have slowed after the rush for the Super Bowl. Swiss stocks are a concern for more producers with sales being called fair at best.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2275-1.4875
Cheddar 40# Block	:	1.3000-1.4400
Cheddar 10# Cuts	:	1.4800-1.7000
Monterey Jack 10#	:	1.4900-1.6500
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

FOREIGN

Prices are steady to slightly higher. The market tone is seasonally weak. Demand for imported or foreign type cheese typically slows at this time of year. Stocks are adequate for the slow to fair, mostly fill-in demand. According to recent reports, imports of high-tier cheese during 2002 totaled 26.1 million Kg, up 40.2% from 2001. The largest gains were seen in the American-type and Italian-type categories. Imports of cheese subject to licensing during 2002 saw a grand total of 125.21 million Kg, 2.2% more than 2001 imports. These figures are preliminary and subject to revision.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-3.3900	: 1.5300-3.0200*
Gorgonzola	: 3.2400-5.9400	: 2.0475-2.4900*
Parmesan (Italy)	: TFEWR	: 2.9400-3.0300*
Romano (Italy)	: 2.1000-3.1900	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.5375-1.7650*
Romano (Cows Milk)	: -0-	: 2.7275-4.9000*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7500-3.6900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.3500-2.5500
Swiss Cuts Finnish	: 2.6000-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-2.9900	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	0	0	2	0	11
SOUTHEAST STATES	0	0	0	0	0	0

Milk production is showing a few signs of increasing, particularly in the Deep South. The recent cold weather retarded gains seen early in the month, but output seems to be rebounding in Louisiana, Florida, and Georgia. In the Middle Atlantic area, the milk flow is mostly steady and temperatures remain cold. In New York, almost daily lake effect snows are adding to an already deep base in the Western and Central parts of the state. This is delaying farm milk pick ups, but there have been no reports of lost milk. In New England, very cold temperatures and snow were common over the weekend and milk output is about steady. Fluid milk supplies are tighter throughout the region. Bottled milk sales range from good north of the Middle Atlantic area to steady or slower in the Southeast. Scattered school closings seemed to have little effect on bottling schedules. Parts of the Carolinas saw heavy snowfall late last week and some panic buying was evident just prior to the weekend. Due to the continued good bottled milk demand, surplus milk volumes have eased in many sections of the Northeast. Reports of handlers/suppliers looking for extra milk for manufacturing were more common this week. This provided a timely outlet for some plants who had milk orders cancelled early in the week. The condensed skim market is little changed. Some distressed loads continue to clear at attractive prices to Midwestern buyers. At some drying plants, natural gas supplies have been reduced or cut off altogether and this is impacting condensed skim processing and/or drying. The fluid cream market is weak, but some contacts state not as weak as it has been. Offerings are more than ample and heavy shipments of excess to Midwestern butter makers continue. Multiples on the excess cream are often in the 112-115 f.o.b. range and based on a yet to be set CME butter price. Class II cream demand is lackluster at best and prices are slightly lower. Ice cream makers are taking typical volumes for this time of year. Cream cheese makers are reported to be less active in the spot market. A few bottlers have taken an extra load or two, but it is not known if this is the result of increased demand or getting new business at the expense of another producer. Locally, churning activity is steady at moderate to heavy levels.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.2840-1.4017
DELIVERED EQUIVALENT ATLANTA	-	1.2840-1.4124 M 1.2947-1.3161
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3589-1.4445

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9500-1.0000
NORTHEAST- CLASS III - SPOT PRICES	- .7200- .8600

M I D W E S T

Class I interest ranged from lighter than average to strong late in the week where retail promotions were planned in metro areas. Dip and other "party" item production returned to more regular levels. Current milk supplies remain seasonally heavy, at least compared to manufacturing milk interest. Manufacturing schedules are generally holding at well above year ago levels. On a very light test, spot milk prices were only right about flat class. Generally sluggish cheese interest and growing inventory is limiting the appeal for plant operators in purchasing additional milk supplies. Moving surplus milk loads has become more difficult. Ice cream interest is about steady though some plants have not fully stepped up production to build inventory ahead of the main summer season. For others, ice cream and novelty promotions keep

slowing planned inventory growth. Cream offerings remain heavy with additional volumes headed to churns. Condensed skim interest is improved with prices mostly steady. Depending on class, at least some condensed prices are forecasted to decline next month. Plant milk intakes were fairly steady with recent weeks. Fat and protein tests are fairly flat. Colder temperatures and/or higher wind late last week made outside tasks more difficult though conditions have since moderated.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 23 - 29	PREVIOUS YEAR
SLAUGHTER COWS	\$ 39.50- 45.00	\$ 38.00- 43.75
REPLACEMENT HEIFER CALVES	\$400.00-550.00	\$450.00-630.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JAN 23 - 29	PREVIOUS YEAR
SLAUGHTER COWS	\$ 36.50- 44.50	\$ 36.00- 45.00

W E S T

December 2002 pool receipts of milk in CALIFORNIA total 2.95 billion pounds, 5.3% higher than a year prior. The December blend price, at a fat test of 3.78%, is \$10.64, \$0.11 higher than November but \$1.69 lower than December 2001. The percentage of receipts used in Class 1 products is 18.58%. The December quota price is \$11.48 and the over quota price is \$9.78. These prices are \$0.04 higher than November but \$1.45 lower than a year earlier. Preliminary, cumulative 2002 pool receipts are 5.8% higher than 2001. Milk production is indicated to be very strong across the state of CALIFORNIA with a sampling of processors being 3 to 8% higher than last year. Decent weather conditions, additional cows, and adequate feed availability, are factors in the surge of milk. News reports indicated a new cheese plant began production early in the week and is expected to increase output towards capacity levels by April. Milk supplies are available to supply this plant and the addition is welcomed and needed from a milk handling standpoint. Bottled milk sales are fully steady with schools and home buying patterns reestablished. NEW MEXICO milk output is higher as conditions remain generally favorable for the milking herds. Milk supplies are stretching processors and some milk has to be moved through other channels to find homes. The low milk price is a major concern of producers in the state with cash flow issues impacting decisions. The CREAM market in the West remains rather sloppy. Supplies are heavy and surplus cream continues to move to butter churns for processing. Demand from other class items is slow to develop. Cream multiples in the West range from 104 to 124, FOB, depending on class usage. Normal seasonal wet weather has covered the PACIFIC NORTHWEST for the past two weeks. The storms have been quite warm so that snow has fallen only at very high elevations. This is not the ideal pattern for building the snow pack for summer irrigation water. The wet weather is not impacting milk production. The moderate temperatures for this time of year are helping production to remain quite heavy. Some manufacturing plants are looking at options to curtail some milk production increases. With all commodity products trading near their respective support levels there is no incentive to make any more product than is necessary. Cow numbers are holding up very well in the region. The quality on the available hay supplies continues to decline. Also, some added export interest for hay is developing. Rain has been more common over UTAH and IDAHO than snow this year, but that has also been very light. Concern about what impacts the short water supply will have on animal and crop agriculture in the region is increasing. Some early decisions will have to be made very soon and most of them will be based on the assumption that full season water will not be available. It is too early to tell what impact this will have on milk supplies this year. Most plants in the region are calling current milk supplies steady, but at the high end of expectations. More switching of producers between handlers is noted compared to the last few years.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to lower on a weak market. Sales to the CCC persist and encourage some spot sale prices to move lower. However, given that interest is light, some plants are not negotiating prices lower and are holding prices steady until inquiries and interest increase. West coast NDM is less competitive with Central region supplies as prices near the support level. Production is generally heavy and inventories are building on low heat. Most high heat movement is contractual with some spot movement into candy companies. Condensed skim is reportedly available at prices near the bottom of the range for the fair cheese plant interest.

EAST: Prices are steady to lower and the market tone remains relatively weak. Production levels are moderate to heavy. However, producers in the more northern areas are having problems with a consistent supply of natural gas and this is leading to spotty and/or less efficient operation of their evaporators and dryers. The interruption of natural gas supplies during cold weather is not a new problem for industrial users in the Northeast. Demand for NDM is fair, but spot sales are often on an as needed basis. Many users are still waiting to see if prices will drop any farther. Contract sales are clearing satisfactory volumes. However, producer stocks are growing at some locations and one Eastern producer did offer NDM to CCC for the second week in a row. Contacts feel the offerings of Eastern powder to CCC will continue and increase in volume during the next few weeks. Demand for condensed skim is slow to fair and more distressed loads area being reported.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8700 MOSTLY: .8300 - .8400

HIGHHEAT: .8675 - .9250

NONFAT DRY MILK - WEST

Low/medium heat nonfat dry milk price are mostly steady with the mostly range being unchanged. The market tone remains weak with continued, heavy weekly offerings to the price support program necessary for producers to balance supplies. The available milk supply in the region is very heavy and production schedules are active. Demand is fair for contract volumes, light for spot needs. Buyers are not under any pressure to speculate on availability or price in the near term. Most buyers work out arrangements for needs to keep costs to them lower. With the weak cheese market, cheese producers are not as active looking for solids to increase yields. During the week of January 20-24, CCC purchased 17,563,117 pounds of nonfortified NDM from the West. No price changes are noted for high heat NDM in light trading. Demand is light overall, but sales are noted from several producers in the region. Sales levels are lower than anticipated, although some indications of future interest are being shown. Offerings are available from most suppliers.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .7950 - .9000 MOSTLY: .8000 - .8200

HIGHHEAT: .8300 - .8900

CALIFORNIA MANUFACTURING PLANTS - NDM

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 24	\$.8039	15,566,385	not available
January 17	\$.8096	14,021,019	8,713,646

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices are unchanged and nominal on a steady market. Some sales are being traded into brokerage firms at the lower end of the range while end-user sales are trading at the average to slightly higher. Interest is generally light. Inventories are mostly in balance. Production is steady to lower as more condensed buttermilk moves into ice cream facilities, reducing drying schedules.

F.O.B. CENTRAL: .6900 - .7450

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are mixed and nominal. The market tone remains weak. Some producers cleared some decent volumes last week and pushed prices a little higher. Some producers still have "off grade" powder to clear and are offering it below seventy cents. Heavy churning activity continues and it is keeping buttermilk supplies heavier than desired. Dryer time is an issue at some plants while others continue to clear their buttermilk as a liquid. Spot demand for dry and liquid buttermilk is slow to fair.

F.O.B. NORTHEAST: .7300 - .7450

DELVD SOUTHEAST: .7400 - .7850

DRY BUTTERMILK - WEST

The West dry buttermilk range is only slightly lower on the top end of the range with the majority of prices noted within the mostly range being unchanged. There are some producers that are lowering prices to maintain sales. Production schedules remain active and often higher than projections. Butter churning is high in the region and sales of condensed buttermilk mostly fair. Stocks are available from many producers and sources in the region.

F.O.B. WEST: .7000 - .7650 MOSTLY: .7300 - .7400

DRY WHOLE MILK - NATIONAL

Prices are often lower and the market tone is steady to weaker. Prices remain nominal. Production levels are up at more plants as surplus milk volumes are heavy in some parts of the country. Some producers are taking advantage of the relatively low cost of milk and butterfat to build a little inventory for spring needs. This extra production is also helping clear additional butterfat. Spot demand is evident, but generally slow. Most shipments are to fill contractual agreements.

F.O.B. PRODUCING PLANT: 1.0800 - 1.1550

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2002 THROUGH JANUARY 24, 2003
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK	—	42,626 MT (93,973,279 LBS)*
CHEESE	—	1,894 MT (4,175,512 LBS)*

* The second stage of the DEIP allocations is filled.

Allocations for the DEIP year beginning July 1, as announced September 13: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT. However, the second stage of this year's program was announced on November 15 and makes available, as part of the total allocation, an additional 25,576 MT of NDM, 7,912 MT of butterfat, and 1,137 MT of cheese.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged on a steady market. While some export sales continue to occur at the low end of the range, most domestic trades are generally occurring at the average or higher. Both buyers and sellers agree the market has bottomed. Some traders are purchasing product now for resale when the market firms. Price decreases in the West are reducing Central region competitiveness in export markets. Production is generally strong and inventories are mostly in balance. Condensed whey is available at some locations for the fair interest.

F.O.B. CENTRAL: .1500 - .1625 MOSTLY: .1550 - .1600

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally lower. The market tone is still weak, but showing a few signs of improvement. Eastern production levels are lighter and stocks, though tight, are more readily available at some producers' plants. Grade A whey is in a tighter supply situation, while Extra Grade offerings are adequate for the continued lackluster demand. Contacts feel that buyers are closely monitoring the market and waiting for conditions to become favorable for a return to the market. Most are buying on an as needed basis. Some production problems at a couple plants continue to be noted and caused delivery problems. Buyers and traders report another week of little market activity.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1575 - .1800
DELVD SOUTHEAST: .1800 - .1950

DRY WHEY - WEST

Prices are beginning to stabilize for Western whey powder. Sales activity is picking up quite nicely as prices have moved lower. Stocks are in much better shape. Exporters are taking much heavier volumes at this time for the Far East and Mexico. Domestic sales are also improving as prices approach 16 cents. Production is seasonally very heavy. Milk supplies for cheese plants are well above expectations. The market seems to have a steadier tone than noted recently.

NONHYGROSCOPIC: .1500 - .1925 MOSTLY: .1600 - .1725

ANIMAL FEED WHEY - CENTRAL

Prices are unchanged on roller ground and milk replacer on a steady market. Milk replacer supplies and interest are light. Roller ground production is generally steady. Inquiries are increasing in response to the lower prices reported. Sales activity is light as Extra Grade whey prices are competitive with roller ground. Inventories are generally in balance with most movement occurring on a contractual basis. December calf slaughter totaled 98,300 head, up 16% from December 2001. Hog kill totaled 8.66 million head, 3% above December 2001.

F.O.B. CENTRAL:
MILK REPLACER: .1400 - .1500
ROLLER GROUND: .1475 - .1825

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a mostly steady market. While traders report the market as firm, producers opt to report the market as no better than steady. Some current production is being handled by more than one reseller before reaching end-user facilities. Some producers that have the capacity to produce 34% or 80% are steadily producing 34%. Low protein product is being traded at a discount on a per unit of protein basis. Offers of Extra Grade into feed facilities are mixed at prices of 2 under to 1 over the average. Off grade supplies of 80% and 34% are less available than in prior weeks for the light interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .4900 - .5425 MOSTLY: .5100 - .5150

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a steady to firm market. Supplies are more in balance than the week prior due to increased export interest. Some new contractual arrangements into Oceania and Asia may encourage prices higher. Domestic spot trade activity is good with candy and infant formula companies showing the best interest. Some traders are picking up lactose at a slight discount for export movement. Production is mostly steady to instances higher at some locations. Feed grade supplies are limited and trading at prices slightly below the range. Lower whey prices reported are not deterring interest in lactose.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1550 - .2350 MOSTLY: .1550 - .1800

CASEIN - NATIONAL

Casein markets remain firm at unchanged prices. Domestic buyers continue to secure all of their needs from imported volumes, but many are curious about the development of a domestic casein industry. The government has sold back over 4 million pounds of skim milk powder to potential casein producers in recent months. It is still early and reports on the outcome of this production are not yet completed. Many domestic buyers are not overly optimistic about the development of a domestic casein industry that will replace or greatly reduce imported volumes.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.9000 - 2.1000
ACID: 1.8000 - 1.9500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Production is mostly steady, but an improved demand for surplus milk in the Northeast may have pulled some milk away from evaporated milk plants due to pricing. Elsewhere, milk volumes were generally unchanged. Producer stocks are being replenished. Demand remains slow. The market is highly competitive.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	01/15	01/16	01/17	01/20	01/21	01/22	01/23	01/24	01/27	01/28
CME - (CLASS III) MILK FUTURES -- Dollars per cwt										
JAN 03	9.75 (1927) 3	9.76 (1927) 1	9.77 (1927) 2	NO TRADING	9.76 (1927) 0	9.76 (1916) 11	9.76 (1916) 1	9.76 (1874) 1	9.76 (1871) 3	9.76 (1870) 0
FEB 03	10.20 (1975) 113	10.15 (1975) 11	10.20 (2002) 36		10.12 (2020) 118	9.97 (2031) 89	9.96 (2016) 75	9.90 (2022) 17	9.82 (2024) 18	9.82 (2042) 21
MAR 03	10.30 (2176) 53	10.30 (2179) 41	10.37 (2193) 34		10.25 (2211) 52	10.16 (2329) 193	10.19 (2240) 236	10.05 (2256) 124	9.96 (2231) 168	9.97 (2226) 24
APR 03	10.57 (1819) 62	10.54 (1819) 64	10.60 (1815) 31		10.50 (1845) 59	10.32 (1961) 169	10.26 (2073) 149	10.20 (2046) 53	10.12 (1982) 126	10.19 (1969) 45
MAY 03	11.08 (1794) 23	11.05 (1806) 43	11.15 (1819) 22		11.10 (1839) 89	10.83 (1846) 50	10.80 (1862) 189	10.79 (1860) 125	10.61 (1884) 139	10.48 (1882) 59
JUN 03	11.60 (1838) 39	11.55 (1871) 78	11.65 (1977) 119		11.56 (1962) 145	11.42 (1963) 77	11.36 (2031) 97	11.32 (2035) 109	11.22 (2077) 136	11.10 (2114) 81
JUL 03	12.26 (1729) 74	12.19 (1771) 68	12.22 (1896) 164		12.15 (1929) 143	11.96 (1926) 67	11.98 (1966) 63	11.95 (1962) 84	11.90 (1984) 103	11.72 (1991) 46
AUG 03	12.65 (1752) 93	12.61 (1788) 56	12.65 (1908) 138		12.60 (1942) 128	12.42 (1943) 72	12.42 (1972) 31	12.50 (1995) 93	12.48 (1989) 81	12.38 (2027) 87
SEP 03	13.11 (1886) 82	13.06 (1927) 76	13.10 (2037) 174		13.05 (2058) 109	12.87 (2059) 54	12.87 (2105) 81	12.88 (2123) 85	12.83 (2140) 136	12.71 (2149) 75
OCT 03	12.52 (1399) 59	12.47 (1404) 27	12.48 (1434) 43		12.40 (1477) 98	12.31 (1510) 44	12.31 (1509) 14	12.40 (1564) 78	12.31 (1562) 37	12.21 (1588) 73
NOV 03	12.22 (1167) 80	12.17 (1181) 26	12.20 (1194) 33		12.15 (1267) 110	12.05 (1271) 18	12.05 (1279) 9	12.10 (1293) 32	12.10 (1270) 10	12.05 (1281) 64
DEC 03	11.85 (989) 64	11.81 (994) 21	11.85 (1017) 41		11.80 (1078) 75	11.76 (1074) 20	11.76 (1076) 13	11.82 (1076) 4	11.82 (1076) 1	11.79 (1071) 43
JAN 04	11.60 (57) 1	11.60 (66) 9	11.60 (66) 0		11.59 (67) 3	11.67 (67) 0	11.69 (70) 3	11.75 (70) 0	11.75 (70) 0	11.75 (71) 1
FEB 04	11.62 (46) 0	11.62 (46) 0	11.62 (46) 0		11.62 (46) 0	11.62 (46) 0	11.62 (46) 0	11.62 (46) 0	11.62 (46) 0	11.62 (55) 9
MAR 04	11.60 (39) 0	11.57 (39) 0	11.60 (39) 0		11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0
APR 04	11.60 (38) 0	11.60 (39) 1	11.60 (39) 0		11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0	11.60 (39) 0
MAY 04	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0		11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0
JUN 04	11.50 (30) 0	11.50 (30) 0	11.50 (30) 0		11.50 (30) 0	11.50 (30) 0	11.50 (31) 6	11.55 (31) 0	11.55 (31) 0	11.56 (31) 0
CME - CLASS IV MILK FUTURES - Dollars per cwt.)										
JAN 03	10.32 (64) 0	10.32 (64) 0	10.30 (64) 0	NO TRADING	10.30 (64) 0	10.30 (64) 0	10.30 (64) 0	10.28 (64) 0	10.28 (64) 0	10.25 (64) 0
FEB 03	10.45 (39) 0	10.45 (39) 0	10.43 (39) 0		10.43 (39) 0	10.43 (39) 0	10.43 (39) 0	10.40 (39) 0	10.40 (39) 0	10.35 (39) 0
MAR 03	10.45 (23) 0	10.45 (23) 0	10.45 (23) 0		10.45 (23) 0	10.45 (23) 0	10.45 (23) 0	10.43 (23) 0	10.43 (23) 0	10.41 (23) 0
APR 03	10.69 (14) 0	10.69 (14) 0	10.69 (14) 0		10.69 (14) 0	10.69 (14) 0	10.69 (14) 0	10.69 (14) 0	10.69 (14) 0	10.69 (14) 0
MAY 03	10.88 (8) 0	10.88 (8) 0	10.88 (8) 0		10.88 (8) 0	10.88 (8) 0	10.88 (8) 0	10.88 (8) 0	10.88 (8) 0	10.88 (8) 0
JUN 03	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0		11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0
JUL 03	11.30 (2) 0	11.30 (2) 0	11.30 (2) 0		11.30 (2) 0	11.30 (2) 0	11.30 (2) 0	11.30 (2) 0	11.30 (2) 0	11.30 (2) 0
CME - BUTTER FUTURES -- Cents per pound										
MAR 03	115.00 (375) 1	115.00 (416) 46	115.00 (418) 3	NO TRADING	115.00 (434) 21	114.25 (434) 0	114.52 (445) 13	115.25 (450) 9	114.25 (450) 0	114.25 (451) 5
MAY 03	118.50 (270) 7	118.25 (270) 0	118.25 (270) 1		118.25 (278) 13	117.25 (280) 2	118.02 (288) 10	118.75 (289) 1	118.25 (306) 22	117.75 (304) 15
JUL 03	121.50 (222) 12	121.25 (228) 6	121.20 (228) 0		121.25 (229) 2	120.50 (232) 3	121.50 (243) 13	122.25 (246) 3	121.00 (260) 15	121.00 (287) 36
SEP 03	124.25 (273) 20	124.75 (275) 5	124.25 (275) 0		124.25 (283) 8	124.00 (283) 0	124.00 (290) 9	125.50 (290) 0	125.50 (302) 16	123.75 (308) 19
OCT 03	125.50 (153) 20	125.75 (160) 10	125.25 (167) 7		125.27 (170) 3	125.00 (172) 9	125.00 (182) 10	126.00 (182) 0	126.00 (182) 0	125.50 (202) 46

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered January 20 - 31, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk production patterns across Europe are typical for this time of the year. In some areas, milk volumes are starting to increase slightly, although producers are very aware of the quota year end which is still a few months away. Some milk handlers are now looking at the possibility of generating skim milk powder for intervention offering on March 1. Reports are mixed as to what extent this powder production will actually be during February. Within the last 6 – 8 weeks, prices for skim and whole milk powder have firmed greatly, although prices appear to have reached a plateau. At this point, skim powder prices are at or very near a U.S. fob equivalent of \$1800/mt. A firm Euro against the U.S. dollar continues to impact sales potential. Early in the week, the Euro firmed to over 8% above parity and is the highest it has been since March 1999. European handlers and traders are hopeful that the Management Committee does not adjust the export refund any further, which could greatly hinder European participation in potential buyer interest. At this point, there appears to be no significant buyer interest to report. Traders and handlers feel that most international needs have been addressed in recent months and buyers are now working from these stocks. Often traders have product available for sale, although buyers are bidding lower with minimal sales being acknowledged by either party. Russia has been active in the butter market up to this point, but now it appears that their buying season is coming to a close and additional buyer interest is not developing. Outside of the Russian butter buying interest, international butter demand is slow.

BUTTER/BUTTEROIL: Butter markets are generally steady at unchanged prices. Recent international sales have centered around Russian buyer interest, but now this appears to be declining. Traders report that this buyer interest is now coming to an end, although shipments to Russia continue. Traders report that this buyer interest was more active this year than last, but not up to levels of previous years. Outside of this buyer interest, no significant international butter interest is being reported.

82% BUTTERFAT:	1,200 - 1,350
99% BUTTERFAT:	1,400 - 1,500

SKIM MILK POWDER (SMP): European skim milk powder markets are generally steady although prices are fluctuating within the reported range. Traders report that they have powder available for sale, but buyers are bidding lower, thus no significant sales are being reported from either side. Some powder producers are now looking at generating powder for intervention offering March 1. Powder can be produced 30 days prior to intervention offering. European traders and handlers continue to monitor the U.S. DEIP program and question when will the next allocation be announced.

1.25% BUTTERFAT:	1,700 - 1,800
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WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are firm. Stocks of European powder are available, although the few buyers that there are, are bidding lower prices. Traders feel that prices will remain in this range for a while due to powder that is available and basically, Europe is the only source at this time.

26% BUTTERFAT:	1,750 - 1,820
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SWEET WHEY POWDER: European whey powder markets are weak with prices generally lower. Stocks of whey powder are available for domestic needs with international sales reported as light. Cheese production is seasonally low, although active enough to maintain sufficient whey stocks for domestic needs.

NONHYGROSCOPIC:	400 - 425
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EASTERN EUROPE: Eastern European milk production continues to hold steady at seasonal low levels, although reports of seasonal increases are starting to develop. Winter weather conditions continue to prevail which will slow production increases. Stocks of manufactured dairy products in the region are low. Producers and handlers are looking forward to hopefully a positive milk production season so as to replenish and re-establish inventories for domestic and international needs.

OCEANIA

OVERVIEW: The milk production season in the Oceania region continues to edge lower seasonally. In New Zealand, the milk flow is reported to be running about 1.3% ahead of last year at this time. Milk handlers were and remain concerned about how the second half of the milk production season will develop. Lack of sufficient moisture during this period is a major concern. In recent days, rain has fallen which will, for at least the short term, dispel some of the concern. In Australia, overall weather conditions have not improved that greatly, and in Victoria over the past weekend, record setting temperatures were recorded for this time of the year. These high temperatures are not helping the limited moisture conditions of the area, and by some accounts, are contributing to further problems. Dry conditions are further enhancing the possibility of additional fires throughout the drought area. Milk production continues to lag last season by about 10%, although milk handlers do recognize that last season was a strong production year, thus this years output is more comparable to other previous years. Overall international buyer interest is reported to be steady. Most sales activity from the Oceania region was acknowledged early in the production season and now these sales are being shipped. For the most part, stocks of manufactured dairy products are in close balance for this need and most handlers report very little, if any additional, available for spot buyer interest. Prices have adjusted slightly to recent firmness elsewhere in the international market.

BUTTER: Oceania butter markets and prices are steady to slightly firmer. Current milk production in Australia and New Zealand is seasonally active, although often not up to expectation, thus milk is being directed to products of best return. Powdered milks are in good demand thus butter/skim powder production is seasonally active. Stocks of butter are reported to be in close balance for contracted needs with minimal volumes available for spot buyer interest. Oceania producers and handlers are closely monitoring the U.S. and are very curious if the butter DEIP will become active. It has been since the 1999 – 2000 DEIP year that the U.S. has been involved with international butter sales.

82% BUTTERFAT:	1,250 - 1,300
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CHEDDAR CHEESE: Cheese markets and prices are basically holding steady. Cheese production is slightly lower in the Oceania region as current production, coupled with carryover volumes from last season, are sufficient to meet demand. Producers and handlers report that demand continues to center around regular and ongoing customer needs.

39% MAXIMUM MOISTURE:	1,700 - 1,800
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SKIM MILK POWDER (SMP): Oceania skim milk powder markets are generally steady, although prices did firm slightly on the top of the reported range. Price firmness in other international markets was giving strength to Oceania markets in recent weeks. For the most part, Oceania powder stocks are fully committed to regular/contractual buyers. At this point, most producers and handlers indicate that they do not have any additional volumes for spot needs, but as the milk production season winds down, some additional, unsold powder might become available. Oceania traders are closely monitoring the U.S. and the announcement of DEIP allocations. At this point, the U.S. has about 25,500 mt of powder that will qualify for DEIP bonuses when announced.

1.25% BUTTERFAT:	1,700 - 1,800
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices. New international buying interest is limited as Oceania powder stocks are basically fully committed. Producers and handlers are stating that they are able to keep up with contracted needs, but additional volumes are not available for spot interest.

26% BUTTERFAT:	1,750 - 1,800
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Exchange rates for selected foreign currencies: January 27, 2003

.6558 Canadian Dollar	.0209 Indian Rupee
.3012 Argentina Peso	.5497 New Zealand Dollar
.0918 Mexican Peso	.5908 Australian Dollar
.2601 Polish Zloty	.0084 Japanese Yen
	1.0857 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0918)= 10.8932. That is 1 US Dollar equals 10.8932 Mexican Pesos.

Source: "Wall Street Journal"

CONSUMER PRICE INDEX (CPI-U) AND AVERAGE RETAIL PRICES FOR SELECTED PRODUCTS, U.S. CITY AVERAGE ^{1/}

Month and Year	All Food		Dairy Products		Fresh Whole Milk		Cheese		Butter		Meat, Poultry, Fish and Eggs	
	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}	CPI ^{2/}	Pct. Chg. ^{3/}
OCT 2002	176.5	0.9	166.5	-2.5	161.1	-5.3	167.8	-2.4	147.7	-20.6	161.3	-1.3
NOV 2002	176.8	1.3	167.1	-2.4	160.6	-5.1	168.6	-2.3	139.4	-18.5	162.1	-0.4
DEC 2002	177.3	1.5	167.3	-2.0	160.2	-4.2	168.3	-2.5	141.0	-19.4	162.4	0.2
U.S. City Average Retail Prices												
Month	Whole Milk ^{4/}		Lowfat Milk ^{4/}		Butter ^{5/}		Process Cheese ^{6/}		Natural Cheese ^{7/}		Ice Cream ^{8/}	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	Dollars											
OCTOBER	2.727	2.954	2.496	2.675	3.032	3.688	3.920	4.023	4.160	4.216	3.336	3.824
NOVEMBER	2.719	2.890	NA	2.649	2.608	3.162	3.941	3.971	4.140	4.241	3.816	3.463
DECEMBER	2.682	2.895	NA	2.646	2.842	3.310	3.842	3.994	4.107	4.165	3.757	3.836

NA Data not adequate for publication.

^{1/} "CPI Detailed Report," "Consumer Prices: Energy and Food," BLS, U.S. Department of Labor. According to BLS, average prices are best used to measure the price level in a particular month. To measure price change over time, the CPI is more appropriate. ^{2/} The standard reference base period for these indexes is 1982-1984 = 100. ^{3/} Percent change over previous year. ^{4/} Per gallon. ^{5/} Per pound. Grade AA, salted, stick butter. ^{6/} Per pound, any size and type of package. ^{7/} Per pound, cheddar cheese in any size and type of package and variety (sharp, mild, smoked, etc.). ^{8/} Per 1/2 gallon, prepackaged regular.

COMMERCIAL DISAPPEARANCE: TOTAL MILK AND SELECTED DAIRY PRODUCTS—SEPTEMBER-NOVEMBER AND YEAR-TO-DATE 2001-02 ^{1/}

Item	Sep.-Nov. 2001	Percent change ^{2/}	Sep.-Nov. 2002	Percent change ^{2/}	Jan.-Nov. 2001	Percent change ^{2/}	Jan.-Nov. 2002	Percent change ^{2/}
	Million Pounds							
MILK								
Production	40,045	-0.2	40,854	2.0	151,439	-1.2	155,433	2.6
Marketings	39,729	-0.1	40,548	2.1	150,282	-1.2	154,312	2.7
Beginning Commercial Stocks ^{3/}	9,001	-8.1	12,112	34.6	6,839	11.3	7,041	3.0
Imports ^{3/}	1,355	30.0	1,261	-6.9	5,321	30.0	4,637	-12.9
Total Supply ^{4/}	50,085	-1.1	53,921	7.7	162,442	0.0	165,990	2.2
Ending Commercial Stocks ^{3/}	6,870	0.1	9,118	32.7	6,870	0.1	9,118	32.7
Net Removals ^{3/}	6	-96.2	53	783.3	129	-83.7	273	111.6
Commercial Disappearance ^{4/}	43,209	-0.9	44,750	3.6	155,443	0.4	156,593	0.7
SELECTED PRODUCTS ^{5/}								
Butter	366	-0.7	396	8.4	1,153	-0.6	1,182	2.5
American Cheese	941	1.7	980	4.1	3,352	2.1	3,398	1.4
Other Cheese	1,292	-3.4	1,345	4.1	4,540	0.1	4,690	3.3
Nonfat Dry Milk	240	20.1	219	-8.8	878	24.5	684	-22.0
Fluid Milk Products ^{6/}	14,061	-0.5	14,148	0.6	50,439	-0.3	50,575	0.3

^{1/} Commercial disappearance includes civilian and military purchases of milk and dairy products for domestic and foreign use, but excludes farm household use and USDA donations of dairy products. Disappearance is a residual figure and therefore can be affected by any inaccuracies in estimating milk production, on-farm use, stocks, and imports. ^{2/} From year earlier on a daily average basis. ^{3/} Milk-equivalent, milkfat basis. ^{4/} Totals may not add because of rounding. ^{5/} Commercial disappearance in product pounds.

^{6/} Sales. Estimate based on actual sales in Federal milk order marketing areas and California. These sales figures have not been adjusted for calendar composition. **SOURCE:** Economic Research Service, USDA. Fluid milk products - Agricultural Marketing Service, USDA.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 27 - 31, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 01/17/03\$	SAME PERIOD LAST YEAR
BUTTER							
Bulk	1,987,963	-0-	1,987,963	2,368,798	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	1,987,963	-0-	1,987,963	2,368,798	-0-	-0-	-0-
CHEESE							
Block	-0-	-0-	-0-	343,714	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	337,555	-0-	-0-	-0-
Process	396,000	-0-	396,000	6,177,600	-0-	-0-	-0-
TOTAL	396,000	-0-	396,000	6,858,869	-0-	-0-	-0-
NONFAT DRY MILK							
Nonfortified	13,750,918	-0-	13,750,918	170,199,996	133,450,249	983,377,000	713,123,000
Fortified	-0-	-0-	-0-	-0-	-0-	46,391,000	38,227,000
TOTAL	13,750,918	-0-	13,750,918	170,199,996	133,450,249	1,029,768,000	751,350,000

\$DATA FOR 1/24/03 NOT AVAILABLE

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 27 - 31, 2003 =	50.0	164.2	COMPARABLE PERIOD IN 2001 =	1.6	83.3
CUMULATIVE SINCE OCTOBER 1, 2002 =	152.4	2,049.3	CUMULATIVE SAME PERIOD LAST YEAR =	29.4	1,553.4
CUMULATIVE JANUARY 1 - JANUARY 31, 2003 =	78.3	783.7	COMPARABLE CALENDAR YEAR 2001 =	12.4	657.5

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JANUARY 27 - 31, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	396,000	795,812	-0-
WEST	1,987,963	-0-	-0-	-0-	-0-	-0-	11,923,551	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	1,031,555	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
CENTRAL	-0-	-0-	6,177,600	-0-	3,888,930	2,066,443	38.0	1.5
WEST	2,368,798	-0-	681,269	-0-	164,931,322	129,572,249	61.8	97.1
EAST	-0-	-0-	-0-	-0-	1,379,744	1,811,557	0.2	1.4
TOTAL	2,368,798	-0-	6,858,869	-0-	170,199,996	133,450,249	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/11/03 & Comparable Week 2002

Regions* (000 HEAD)	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL		% DAIRY OF ALL	
											WEEK	SINCE JAN 1	WEEK	SINCE JAN 1
2003-Dairy	0.2	0.8	8.6	5.7	25.3	3.2	0.7	1.0	15.8	2.5	63.7	111.8	48.4	48.8
2002-Dairy	0.2	0.8	6.2	5.3	23.1	3.2	0.6	1.1	15.7	3.3	59.5	106.9	46.0	46.4
2003-All cows	0.2	1.0	11.7	16.3	38.0	17.6	17.6	4.2	18.1	7.0	131.5	229.1		
2002-All cows	0.2	1.0	9.2	15.6	35.0	16.4	19.4	6.6	18.1	7.9	129.3	230.5		

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

FEDERAL MILK ORDER CLASS PRICES FOR 2002 - 2003 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2003	FEB 2003
I 1/	11.96	11.95	11.62	11.47	11.26	11.03	10.62	10.48	10.46	10.15	10.60	10.52	10.56	10.23
II	12.69	12.28	12.19	11.88	11.29	11.19	11.14	11.07	10.91	11.12	11.26	11.62	11.29	
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74	9.78	
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45	10.41	10.22	10.50	10.58	10.49	10.07	

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm